

CITY OF JESUP

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2016

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City of Jesup

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Bishop	Mayor	January 2016
Darren Engbretson	Mayor Pro Tem	January 2016
Jill Chemin	Council Member	January 2018
John Crawford	Council Member	January 2016
Richard Mott	Council Member	January 2016
Melissa Trumbauer	Council Member	January 2018
LeAnn Even	City Clerk	Indefinite
Koley Mead	Deputy City Clerk	Indefinite
Chris Even	Public Works Director	Indefinite
Carter Stevens	City Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Thompson	Mayor	January 2018
Dawn Vogel	Mayor Pro Tem	January 2020
Jill Chemin	Council Member	January 2018
Russ Solomon	Council Member	January 2020
Richard Mott	Council Member	January 2020
Melissa Trumbauer	Council Member	January 2018
LeAnn Even	City Clerk	Indefinite
Koley Mead	Deputy City Clerk	Indefinite
Chris Even	Public Works Director	Indefinite
Carter Stevens	City Attorney	Indefinite

City of Jesup

RFSW Ridihalgh Fuelling Snitker Weber & Co.

C E R T I F I E D P U B L I C A C C O U N T A N T S

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

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Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jesup's basic financial statements. We previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2015 (which are not presented herein) and expressed an unmodified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements and supplemental data for the years ended June 30, 2007 through June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report. These auditors expressed unqualified opinions on those financial statements and supplemental data. The supplementary information included in Schedules 1 through 6, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 31 through 36, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2016 on our consideration of the City of Jesup's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Jesup's internal control over financial reporting and compliance.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

November 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Jesup provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities decreased approximately \$232,440 over fiscal year 2015. The total cost of all governmental activities programs and services increased approximately \$576,077. The decrease in receipts was primarily the result of receiving note proceeds of \$383,417 in 2015.
- The City's governmental activities cash balance at June 30, 2016 decreased approximately \$124,302, from June 30, 2015.
- The cost of all governmental activities this year was approximately \$2,885,969 compared to approximately \$2,309,892 last year. The amount taxpayers ultimately financed for these activities was approximately \$2,337,678 because some of the cost was paid by those directly benefited from the programs (\$130,072) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$418,219).

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Tax Increment Financing and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.252 million to approximately \$2.127 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2016	2015
Receipts:		
Program Receipts		
Charges for service	130,072	119,181
Operating grants, contributions and restricted interest	407,519	343,077
Capital grants, contributions and restricted interest	10,700	2,000
General Receipts		
Property and other city tax	1,310,814	1,275,683
Tax increment financing	0	23,448
Local option sales tax	209,980	218,133
Unrestricted interest on investments	9,316	5,035
Bond proceeds	13,900	383,417
Other general receipts	224,368	179,136
Total receipts	<u>2,316,670</u>	<u>2,549,110</u>
Disbursements:		
Public safety	649,112	645,603
Public works	557,356	549,071
Health and social services	2,000	2,000
Culture and recreation	237,435	228,312
Community and economic development	7,489	7,458
General government	181,416	189,858
Debt service	555,237	520,638
Capital projects	695,924	166,952
Total disbursements	<u>2,885,969</u>	<u>2,309,892</u>
Change in cash basis net position before transfers	(569,299)	239,218
Transfers, net	<u>444,996</u>	<u>280,934</u>
Change in cash basis net position	(124,303)	520,152
Cash basis net position beginning of year	<u>2,251,524</u>	<u>1,731,371</u>
Cash basis net position end of year	<u>2,127,221</u>	<u>2,251,523</u>

The City's total receipts for governmental activities were approximately \$2,316,670. The total cost of all programs and services was approximately \$2,885,969, with no new programs added this year. The decrease in receipts was primarily the result of receiving note proceeds of \$383,417 in 2015. The cash basis position of the City's governmental activities decreased approximately \$124,303 from June 30, 2015.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was approximately \$2,337,678 because some of the cost was paid by those directly benefited from the programs (\$130,072) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$418,219).

Changes in Cash Basis Net Position of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Receipts:		
Program Receipts		
Charges for service		
Water	366,035	386,644
Sewer	348,583	297,472
General Receipts		
Sale of Assets	1,570	0
Unrestricted interest on investments	4,147	1,796
Total receipts	<u>720,335</u>	<u>685,912</u>
Disbursements:		
Water	151,644	200,017
Sewer	190,265	186,846
Total disbursements	<u>341,909</u>	<u>385,863</u>
Increase in cash basis net position before transfers	378,426	300,049
Transfers, net	(444,996)	(280,934)
Change in cash basis net position	(68,570)	19,115
Cash basis net position beginning of year	522,249	503,132
Cash basis net position end of year	<u>455,679</u>	<u>522,247</u>

Total business type activities receipts for the year were approximately \$720,335 compared to approximately \$685,912 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$2,127,221, a decrease of \$124,302 from last year's total of \$2,251,523.

- The General Fund cash balance increased \$5,401 over the prior year to \$1,129,279.
- The Special Revenue, Road Use Tax Fund increased \$4,614 over the prior year to \$58,703.
- The Special Revenue, Local Option Sales Tax Fund increased \$9,494 over the prior year to \$199,838.

- The Debt Service Fund cash balance increased \$11,110 over the prior year to \$20,053.
- The Capital Project, 4th, 5th & Purdy Street Project Fund had a cash balance of \$99,908 at the end of the fiscal year, which represents a decrease of \$244,885 from the prior year. This decrease is due to completion and payment for phase I and phase II of the project.
- The Capital Project, 5th & Church Street Project Fund increased \$246,527 over the prior year to \$317,560. This increase is due to transfers from other funds and anticipation of project completion and payment.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$3,043 from the prior year to \$160,103.
- The Sewer Fund had a cash balance of \$257,451 at the end of the fiscal year, which represents a decrease of \$65,526 from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 3, 2016. The amendment provided for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$14,508 more than budgeted.

Total disbursements were \$960,201 less than the amended budget. Actual disbursements for the public works, business type activities and capital projects functions were \$8,428, \$289,921 and \$436,682, respectively, less than the amended budget. This was primarily due to major capital project disbursements less than anticipated.

During the year ended June 30, 2016, disbursements did not exceed the amount budgeted for any function.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$2,317,000 of outstanding notes and bonds, compared to \$2,805,000 last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2016	2015
General obligation capital loan notes	1,967,000	2,390,000
Local option sales tax revenue bonds	350,000	415,000
Total	<u>2,317,000</u>	<u>2,805,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and local option sales tax revenue debt of \$2,317,000 is significantly below its constitutional debt limit of \$7,296,594.

The City issued \$1,420,000 of general obligation capital loan notes after fiscal year-end to pay costs of constructing street, water, sanitary sewer, storm sewer and water improvements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Jesup's elected, appointed officials and department heads considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various City activities.

An increase was budgeted for property and other city tax due to increased taxable property valuations. An increase was budgeted for charges for service as the water and sewer rates were raised in July 2016. An increase was budgeted for the Library levy that was passed at the November, 2013 city election. An increase was budgeted for the Emergency levy in order to assist General Fund expenditures.

General Fund expenditures were increased for purchasing a new cot and chair lift for the ambulance, purchasing playground equipment, and repairs and maintenance to the Library building. Other financing sources and capital projects expenditures were increased for the 4th, 5th, and Purdy Street capital project, the 1st Street Railroad project, and 5th and Church Street capital project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk/Treasurer, PO Box 592, Jesup, Iowa 50648.

Basic Financial Statements

City of Jesup

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 649,112	112,673	41,739	-
Public works	557,356	12,082	311,420	-
Health & social services	2,000	-	-	-
Culture and recreation	237,435	1,535	21,359	-
Community and economic development	7,489	-	-	-
General government	181,416	3,783	24,699	-
Debt service	555,237	-	8,302	-
Capital projects	695,924	-	-	10,700
Total governmental activities	2,885,969	130,073	407,519	10,700
Business type activities:				
Water	126,085	337,535	-	-
Sewer	190,265	347,744	-	-
Utility deposits/sales tax	25,559	23,842	-	-
Total business type activities	341,909	709,121	-	-
Total	\$ 3,227,878	839,194	407,519	10,700

General Receipts:

Property tax levied for:
 General purposes
 Debt service
Local option sales tax
Unrestricted interest on investments
Bond proceeds, net
Miscellaneous
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:
 Debt service
 Streets
 Local option sales tax
 Capital projects
 Other purposes
Unrestricted

Total cash basis net position

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(494,700)	-	(494,700)
(233,854)	-	(233,854)
(2,000)	-	(2,000)
(214,541)	-	(214,541)
(7,489)	-	(7,489)
(152,934)	-	(152,934)
(546,935)	-	(546,935)
(685,224)	-	(685,224)
(2,337,677)	-	(2,337,677)
-	211,450	211,450
-	157,479	157,479
-	(1,717)	(1,717)
-	367,212	367,212
(2,337,677)	367,212	(1,970,465)
991,602	-	991,602
319,212	-	319,212
209,980	-	209,980
9,316	4,147	13,463
13,900	-	13,900
224,368	7,067	231,435
444,996	(444,996)	-
2,213,374	(433,782)	1,779,592
(124,303)	(66,570)	(190,873)
2,251,524	522,249	2,773,773
\$ 2,127,221	455,679	2,582,900
\$ 20,053	-	20,053
58,703	-	58,703
199,838	-	199,838
493,888	-	493,888
810,653	-	810,653
544,086	455,679	999,765
\$ 2,127,221	455,679	2,582,900

City of Jesup

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2016

	General	Special Revenue		Debt Service
		Road use Tax	Local Option Sales Tax	
Receipts:				
Property tax	\$ 771,542	-	-	319,212
Other city tax	-	-	209,980	-
Tax increment financing	-	-	-	-
Licenses and permits	16,836	-	-	-
Use of money and property	9,316	-	1,763	911
Intergovernmental	80,019	311,420	-	7,391
Charges for service	112,803	-	-	-
Special assessment	168	-	-	-
Miscellaneous	74,307	-	-	-
Total receipts	1,064,991	311,420	211,743	327,514
Disbursements:				
Operating:				
Public safety	411,066	-	-	-
Public works	329,818	177,819	-	-
Health & social services	2,000	-	-	-
Culture and recreation	189,884	-	-	-
Community and economic development	7,489	-	-	-
General government	145,116	-	-	-
Debt service	-	-	78,675	476,562
Capital projects	-	-	-	-
Total disbursements	1,085,373	177,819	78,675	476,562
Excess of receipts over disbursements	(20,382)	133,601	133,068	(149,048)
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Operating transfers in	36,214	-	-	160,158
Operating transfers (out)	(10,431)	(128,987)	(123,574)	-
Total other financing sources (uses)	25,783	(128,987)	(123,574)	160,158
Change in cash balances	5,401	4,614	9,494	11,110
Cash balances beginning of year	1,123,878	54,089	190,344	8,943
Cash balances end of year	\$ 1,129,279	58,703	199,838	20,053
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	-	-	20,053
Streets	-	58,703	-	-
Local option sales tax	-	-	199,838	-
Capital projects	-	-	-	-
Other purposes	585,193	-	-	-
Unassigned	544,086	-	-	-
Total cash basis fund balances	\$ 1,129,279	58,703	199,838	20,053

See notes to financial statements

Capital Projects		Other Nonmajor Governmental Funds	Total
4th, 5th & Purdy Street	5th & Church Street		
-	-	220,060	1,310,814
-	-	-	209,980
-	-	-	-
-	-	-	16,836
-	-	1,187	13,177
-	-	15,794	414,624
-	-	-	112,803
-	-	-	168
-	-	150,061	224,368
-	-	387,102	2,302,770
-	-	238,046	649,112
-	-	49,719	557,356
-	-	-	2,000
-	-	47,551	237,435
-	-	-	7,489
-	-	36,300	181,416
-	-	-	555,237
527,205	92,345	76,374	695,924
527,205	92,345	447,990	2,885,969
(527,205)	(92,345)	(60,888)	(583,199)
13,900	-	-	13,900
268,420	338,872	31,594	835,258
-	-	(127,270)	(390,262)
282,320	338,872	(95,676)	458,896
(244,885)	246,527	(156,564)	(124,303)
344,793	71,033	458,444	2,251,524
99,908	317,560	301,880	2,127,221
-	-	-	20,053
-	-	-	58,703
-	-	-	199,838
99,908	317,560	76,420	493,888
-	-	225,460	810,653
-	-	-	544,086
99,908	317,560	301,880	2,127,221

City of Jesup

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2016

	Water	Sewer	Utility Deposits Sales Tax	Total
Operating receipts:				
Use of money and property	\$ 1,579	2,352	216	4,147
Licenses permits	-	-	-	-
Charges for service	337,535	347,744	23,842	709,121
Miscellaneous	1,158	839	3,500	5,497
Total operating receipts	340,272	350,935	27,558	718,765
Operating disbursements:				
Business type activities	126,085	190,265	25,559	341,909
Total operating disbursements	126,085	190,265	25,559	341,909
Excess (deficiency) of operating receipts over (under) operating disbursements	214,187	160,670	1,999	376,856
Other financing sources(uses):				
Loans and sale of assets	20	1,550	-	1,570
Transfers in (out)	(217,250)	(227,746)	-	(444,996)
Total other financing soources	(217,230)	(226,196)	-	(443,426)
Change in cash balances	(3,043)	(65,526)	1,999	(66,570)
Cash balances beginning of year	163,146	322,977	36,126	522,249
Cash balances end of year	\$ 160,103	257,451	38,125	455,679
Cash Basis Fund Balances				
Restricted for debt service	\$ -	-	-	-
Unrestricted	160,103	257,451	38,125	455,679
Total cash basis fund balances	\$ 160,103	257,451	38,125	455,679

See notes to financial statements

City of Jesup

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Jesup is a political subdivision of the State of Iowa located in Buchanan and Black Hawk Counties. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Jesup has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Jesup (the primary government), and the following component units: the Jesup Fire Association, the Jesup Ambulance Crew Association, the Jesup Library Endowment Fund Incorporated, and the Friends of the Jesup Public Library. These component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Jesup Fire Association (Association) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Association has been established pursuant to local ordinance to prevent and extinguish fires and to protect lives and property against fires, to promote fire prevention and fire safety and to answer all emergency calls for which there is no other established agency. Although the Association is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by providing the above services and by soliciting contributions and managing those funds.

The Jesup Ambulance Crew Association (Crew Association) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Crew Association is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by soliciting contributions and managing those funds.

The Jesup Library Endowment Fund Incorporated (Endowment) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The purpose of the Endowment is to provide additional financial support for the library, to continue the development of its collection and maintain excellent service to the public. Although the Endowment is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by providing the above services and by soliciting contributions and managing those funds.

The Friends of the Jesup Public Library (Friends) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although Friends is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by maintaining an association of persons interested in the Jesup Public Library, to promote and stimulate use of the Jesup Public Library, to work with and support the library staff and Board of Trustees in their efforts to inform and educate the public as to the Library's resources and services and to generate financial support for the further development of library services. Since June 2006, the City of Jesup has been responsible for accounting for the Friends of the Jesup Public Library.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: County Assessor's Conference Board, Buchanan County Emergency Management Commission, Buchanan County Economic Development, and Joint E911 Service Board. The City also participates in the Buchanan County Solid Waste Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax is used to account for revenues and expenditures of local option sales tax.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of principal and interest on the City's general long-term debt.

Capital Projects:

The 4th, 5th, & Purdy Street Fund is utilized to account for the revenues and disbursements for the 4th, 5th, and Purdy Street Project.

The 5th and Church Street Fund is utilized to account for the revenues and disbursements for the 5th and Church Street Project.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's Water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements did not exceed the amount budgeted in any functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter

provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation capital loan notes and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation		Local Option Sales		Total	
	Bonds		Tax Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 447,000	62,221	65,000	11,388	512,000	75,396
2018	425,000	56,467	70,000	9,600	495,000	50,234
2019	430,000	49,035	70,000	7,500	500,000	56,535
2020	395,000	41,380	70,000	5,225	465,000	30,898
2021	410,000	33,633	75,000	2,775	485,000	22,315
2022 – 2026	1,280,000	63,230	-	-	1,280,000	63,230
Total	<u>\$ 3,387,000</u>	<u>305,966</u>	<u>350,000</u>	<u>36,488</u>	<u>3,737,000</u>	<u>342,453</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Revenue Bonds

The City has pledged future local option sales tax receipts, net of specified operating disbursements, to repay \$650,000 of local option sales tax revenue bonds issued in December 2010. Proceeds from the bonds provided financing for constructing, equipping and furnishing a new City Hall. The bonds are payable solely from a portion of local option sales tax receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 37% of net receipts. The total principal and interest remaining to be paid on the bonds is \$386,488. For the current year, principal and interest paid and local option sales tax receipts were \$78,675 and \$211,743, respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings/receipts of the enterprise fund activity and local option sales tax receipts and the bond/note holders hold a lien on the future earnings/receipts of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and local option sales tax revenue bond/note sinking accounts within the Enterprise or Special Revenue,

Local Option Sales Tax Funds for the purpose of making the bond/note principal and interest payments when due.

- (c) Specified amounts are required to be held in water and local option sales tax reserve accounts. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repair to the systems or, when necessary, for the purpose of making the principal and interest payments when due.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who

began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$49,687.

Net Pension Liability. Pension Expense. Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$245,865 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.0049765%, which was an increase of 0.0003875% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$28,172, \$69,845 and \$94,297, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
City's proportionate share of the net pension liability	\$528,968	\$245,865	\$7,032

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 18,901
Compensatory	<u>21,346</u>
Total	<u>\$ 40,247</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

(6) Employee Health Insurance Plan

The City assumes liability for claims between \$250 and \$500 for all coverage. Claims in excess of the deductible are insured through the purchase of insurance. For the year ended June 30, 2016 payments totaling \$1,110 were recorded as disbursements in the General Fund.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Commitments

The City leases certain office equipment. A copier is being leased for \$200 per month and the lease expires in April 2018.

The City entered into an installment purchase agreement for emergency services equipment with a cost of \$51,823. The agreement calls for three equal annual payments. The first installment on \$17,274.40 was made on 10/17/15.

At June 30, 2016, the City had remaining contract balances totaling \$411,973 for ongoing capital projects. Project costs will be paid as work on the unfinished projects progresses.

(9) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue	
	Emergency	\$ 24,362
	Library	<u>5,741</u>
		30,103
General Fund:		
Parks	General Fund	5,000
Self-Insurance	General Fund	1,110
Debt Service	Special Revenue:	
	Road Use Tax	88,087
	Enterprise Funds:	
	Water	25,625
	Sewer	<u>46,446</u>
		72,071
Capital Projects	Special Revenue:	
City Hall	Local Option Sales Tax	8,960
4 th , 5 th , & Purdy St.	Capital Projects:	
	6 th Street Reconstruction	2,045
	Enterprise Fund:	
	Water	106,575
	Sewer	<u>159,800</u>
		268,420
5 th and Church St.	Special Revenue:	
	Road Use Tax	40,900
	Local Option Sales Tax	96,300
	Capital Projects:	
	South Street	16,322
	1 st Street Railroad	78,800
	Enterprise Fund:	
	Waters	85,050
	Sewer	<u>21,500</u>
		338,872
Emg. Service Bldg.	General Fund	4,320
	Special Revenue:	
	Local Option Sales Tax	<u>18,314</u>
		22,634
Total		<u>\$ 835,258</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(10) Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2016.

(11) Litigation

The City was not subject to any pending litigation during the year. The City Attorney believes there is a credible claim that the City may be liable for negligent in maintenance of a sewer line that resulted in damage to residences. There is insurance in place that would cover any of these claims.

(12) Subsequent Event

In July 2016, the City issued \$1,420,000 of general obligation bonds for street improvement projects.

(13) New Accounting Pronouncement

The City of Jesup has adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other Information

City of Jesup
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,310,814	-	-
Other city tax	209,980	-	-
Licenses and permits	16,836	-	-
Use of money and property	13,177	4,147	1,050
Intergovernmental	414,624	-	-
Charges for service	112,803	709,121	-
Special assessment	168	-	-
Miscellaneous	224,368	5,497	145,298
Total receipts	2,302,770	718,765	146,348
Disbursements:			
Public safety	649,112	-	157,436
Public works	557,356	-	-
Health & social services	2,000	-	-
Culture and recreation	237,435	-	3,984
Community and economic development	7,489	-	-
General government	181,416	-	-
Debt service	555,237	-	-
Capital projects	695,924	-	-
Business type activities	-	341,909	-
Total disbursements	2,885,969	341,909	161,420
Excess of receipts over disbursements	(583,199)	376,856	(15,072)
Other financing sources (uses), net	458,896	(443,426)	-
Excess of receipts and other financing sources over disbursements and other financing uses	(124,303)	(66,570)	(15,072)
Balances beginning of year	2,251,524	522,249	198,431
Balances end of year	\$ 2,127,221	455,679	183,359

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,310,814	1,294,674	1,294,674	16,140
209,980	234,313	234,313	(24,333)
16,836	23,425	23,425	(6,589)
16,274	6,455	8,955	7,319
414,624	342,657	402,657	11,967
821,924	810,525	805,195	16,729
168	500	500	(332)
84,567	848,260	90,960	(6,393)
2,875,187	3,560,809	2,860,679	14,508
491,676	652,943	674,948	183,272
557,356	565,784	565,784	8,428
2,000	2,000	2,000	-
233,451	238,263	258,968	25,517
7,489	7,934	7,934	445
181,416	189,591	194,591	13,175
555,237	558,498	557,998	2,761
695,924	2,444,775	1,132,606	436,682
341,909	585,830	631,830	289,921
3,066,458	5,245,618	4,026,659	960,201
(191,271)	(1,684,809)	(1,165,980)	974,709
15,470	1,251,100	3,000	12,470
(175,801)	(433,709)	(1,162,980)	987,179
2,575,342	2,808,157	2,808,157	(232,815)
2,399,541	2,374,448	1,645,177	754,364

City of Jesup
Notes to Other Information – Budgetary Reporting
June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds. The annual budget may be amended during the year utilizing statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment decreased budgeted disbursements by \$1,218,959. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted in the any functions.

City of Jesup
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the last Two Years*

Other Information

	2016	2015
City's proportion of the net pension liability	0.004977%	0.004589%
City's Proportionate share of the net pension liability	\$ 245,868	\$ 181,996
City's covered-employee payroll	\$ 540,113	\$ 529,333
City's Proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.52%	34.38%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Jesup
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 3 Fiscal Years

Other Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 49,687	\$ 49,193	48,108
Contributions in relation to the statutorily required contribution	<u>(49,687)</u>	<u>(49,193)</u>	<u>(48,108)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 540,113	529,333	517,716
Contributions as a percentage of covered-employee payroll	9.20%	9.29%	9.29%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

City of Jesup

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00 %
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

City of Jesup

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Summary

As of and for the year ended June 30, 2016

	Special Revenue	Capital Projects	Total
Receipts:			
Property tax	\$ 220,060	-	220,060
Other city tax	-	-	-
Tax increment financing	-	-	-
Licenses & Permits	-	-	-
Use of money and property	1,187	-	1,187
Intergovernmental	5,094	10,700	15,794
Charges for services	-	-	-
Special assessment	-	-	-
Miscellaneous	146,825	3,236	150,061
Total receipts	373,166	13,936	387,102
Disbursements:			
Operating:			
Public safety	238,046	-	238,046
Public works	49,719	-	49,719
Health & social services	-	-	-
Culture and recreation	47,551	-	47,551
Community and economic development	-	-	-
General government	36,300	-	36,300
Debt service	-	-	-
Capital projects	-	76,374	76,374
Total disbursements	371,616	76,374	447,990
Excess (deficiency) of receipts over (under) disbursements	1,550	(62,438)	(60,888)
Other financing sources:			
Bond proceeds	-	-	-
Operating transfers in	-	31,594	31,594
Operating transfers (out)	(30,103)	(97,167)	(127,270)
Change in cash balances	(28,553)	(128,011)	(156,564)
Cash balances beginning of year	254,013	204,431	458,444
Cash balances end of year	\$ 225,460	76,420	301,880
Cash Basis Fund Balances			
Restricted			
Debt service	\$ -	-	-
Streets	-	-	-
Local option sales tax	-	-	-
Other purposes	225,460	76,420	301,880
Total cash basis fund balances	\$ 225,460	76,420	301,880

See accompanying independent auditor's report

City of Jesup

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Special Revenue Funds

As of and for the year ended June 30, 2016

	Employee Benefits	Emergency	Housing Rehab	Library
Receipts:				
Property tax	\$ 196,320	23,740	-	-
Other city tax	-	-	-	-
Tax increment financing	-	-	-	-
Licenses & permits	-	-	-	-
Use of money and property	-	-	-	137
Intergovernmental	4,544	550	-	-
Charges for services	-	-	-	-
Special assessment	-	-	-	-
Miscellaneous	-	-	-	1,527
Total receipts	200,864	24,290	-	1,664
Disbursements:				
Operating:				
Public safety	80,610	-	-	-
Public works	49,719	-	-	-
Health & social services	-	-	-	-
Culture and recreation	43,567	-	-	-
Community and economic development	-	-	-	-
General government	36,300	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	210,196	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(9,332)	24,290	-	1,664
Other financing sources:				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	(24,362)	-	(5,741)
Change in cash balances	(9,332)	(72)	-	(4,077)
Cash balances beginning of year	67,440	72	981	23,260
Cash balances end of year	\$ 58,108	-	981	19,183
Cash Basis Fund Balances				
Restricted				
Debt service	\$ -	-	-	-
Streets	-	-	-	-
Local option sales tax	-	-	-	-
Other purposes	58,108	-	981	19,183
Total cash basis fund balances	\$ 58,108	-	981	19,183

See accompanying independent auditor's report

Jesup Fire Association	Jesup Ambulance Crew Assoc.	Jesup Library Endowment Fund	Friends of the Jesup Public Library	Total
-	-	-	-	220,060
-	-	-	-	-
-	-	-	-	-
84	640	266	60	1,187
-	-	-	-	5,094
-	-	-	-	-
-	-	-	-	-
142,062	1,089	16	2,131	146,825
142,146	1,729	282	2,191	373,166
147,813	9,623	-	-	238,046
-	-	-	-	49,719
-	-	-	-	-
-	-	-	3,984	47,551
-	-	-	-	-
-	-	-	-	36,300
-	-	-	-	-
-	-	-	-	-
147,813	9,623	-	3,984	371,616
(5,667)	(7,894)	282	(1,793)	1,550
-	-	-	-	-
-	-	-	-	(30,103)
(5,667)	(7,894)	282	(1,793)	(28,553)
81,616	51,331	18,315	10,998	254,013
75,949	43,437	18,597	9,205	225,460
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
75,949	43,437	18,597	9,205	225,460
75,949	43,437	18,597	9,205	225,460

City of Jesup

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Capital Projects Funds

As of and for the year ended June 30, 2016

	City Hall Project	South Street Phase III	6th Street Reconstruction
Receipts:			
Property tax	\$ -	-	-
Other city tax	-	-	-
Tax increment financing	-	-	-
Use of money and property	-	-	-
Licenses & permits	-	-	-
Intergovernmental	-	10,700	-
Charges for services	-	-	-
Special assessment	-	-	-
Miscellaneous	-	-	-
Total receipts	-	10,700	-
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health & social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
General government	-	-	-
Debt service	-	-	-
Capital projects	8,960	11,593	376
Total disbursements	8,960	11,593	376
Excess (deficiency) of receipts over (under) disbursements	(8,960)	(893)	(376)
Other financing sources:			
Bond proceeds	-	-	-
Operating transfers in	8,960	-	-
Operating transfers (out)	-	(16,322)	(2,045)
Change in cash balances	-	(17,215)	(2,421)
Cash balances beginning of year	-	17,215	2,421
Cash balances end of year	\$ -	-	-
Cash Basis Fund Balances			
Restricted			
Debt service	\$ -	-	-
Streets	-	-	-
Local option sales tax	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Total cash basis fund balances	\$ -	-	-

See accompanying independent auditor's report

Emergency Services Bldg	1st Street Railroad	Total
-	-	-
-	-	-
-	-	-
-	-	-
-	-	10,700
-	-	-
-	-	-
3,236	-	3,236
3,236	-	13,936
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
31,815	23,630	76,374
31,815	23,630	76,374
(28,579)	(23,630)	(62,438)
-	-	-
22,634	-	31,594
-	(78,800)	(97,167)
(5,945)	(102,430)	(128,011)
5,945	178,850	204,431
-	76,420	76,420
-	-	-
-	-	-
-	-	-
-	76,420	76,420
-	76,420	76,420

City of Jesup
Schedule of Indebtedness
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds/Notes:			
Corporate Purpose, Series 2011	May 1, 2011	2.50-3.40%	1,500,000
Corporate Purpose and Refunding, Series 2013A	April 1, 2013	1.25-1.85%	1,280,000
Corporate Purpose, Series 2015A	May 6, 2015	1.99%	370,000
Total			
Revenue Bonds:			
Local Option & Services Tax Revenue Bonds, Series 2010B	Dec. 1, 2010	2.75-3.70%	650,000
Total			

See accompanying independent auditor's report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
995,000	-	130,000	865,000	29,658
1,025,000	-	110,000	915,000	15,030
370,000	-	183,000	187,000	7,875
<u>\$ 2,390,000</u>	<u>-</u>	<u>423,000</u>	<u>1,967,000</u>	<u>52,562</u>
415,000	-	65,000	350,000	13,175
<u>\$ 415,000</u>	<u>-</u>	<u>65,000</u>	<u>350,000</u>	<u>13,175</u>

City of Jesup

Bond and Note Maturities

June 30, 2016

Year Ending June 30,	General Obligation Bonds and Notes						Total
	Capital Loan Note		Capital Loan Note		Capital Loan Note		
	Series 2011		Series 2013A		Series 2015A		
	May 1, 2011		April 1, 2013		May 6, 2015		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2017	2.50%	135,000	1.25%	125,000	1.99%	187,000	447,000
2018	3.05%	140,000	1.25%	125,000	-	-	265,000
2019	3.05%	140,000	1.25%	130,000	-	-	270,000
2020	3.05%	145,000	1.45%	130,000	-	-	275,000
2021	3.20%	150,000	1.60%	135,000	-	-	285,000
2022	3.40%	155,000	1.75%	135,000	-	-	290,000
2023		-	1.85%	135,000		-	135,000
Total		\$ 865,000		\$ 915,000		\$ 187,000	1,967,000

Year Ending June 30,	Revenue Bond	
	Local Option Sales Tax	
	Dec. 1, 2010	
	Interest Rates	Amount
2017	2.75%	65,000
2018	3.00%	70,000
2019	3.25%	70,000
2020	3.50%	70,000
2021	3.70%	75,000
		<u>\$ 350,000</u>

See accompanying independent auditor's report

City of Jesup

Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

For the Last Ten Years

	2016	2015	2014	2013	2012
Receipts:					
Property tax	\$ 1,310,814	\$ 1,275,683	\$ 1,230,501	\$ 1,159,930	\$ 1,095,145
Tax increment financing	-	23,448	23,381	47,368	53,241
Other city tax	209,980	218,133	217,626	211,208	204,516
Licenses and permits	16,836	17,078	20,266	21,673	16,520
Use of money and property	13,177	5,962	7,020	8,773	11,442
Intergovernmental	414,624	341,239	316,913	301,205	880,334
Charges for service	112,803	104,836	103,967	153,066	149,866
Special assessments	168	178	3,458	1,055	2,118
Miscellaneous	224,368	179,136	148,976	156,662	266,461
Total	\$ 2,302,770	\$ 2,165,693	\$ 2,072,108	\$ 2,060,940	\$ 2,679,643
Disbursements:					
Operating:					
Public safety	\$ 649,112	\$ 645,603	\$ 631,275	\$ 438,876	\$ 625,595
Public works	557,356	549,071	376,979	289,002	453,006
Health & social services	2,000	2,000	2,000	2,000	1,925
Culture and recreation	237,435	228,312	211,462	201,111	247,481
Community and economic development	7,489	7,458	170	436	42
General government	181,416	189,858	185,467	184,677	154,245
Debt service	555,237	520,638	569,887	1,024,577	580,841
Capital projects	695,924	166,952	960,881	667,936	2,588,450
Total	\$ 2,885,969	\$ 2,309,892	\$ 2,938,121	\$ 2,808,615	\$ 4,651,585

See accompanying independent auditor's report

2011	2010	2009	2008	2007
\$ 1,006,275	\$ 830,846	\$ 840,869	\$ 761,075	\$ 781,496
100,258	196,237	6,907	11,741	5,587
180,579	173,896	176,716	164,191	178,918
18,818	21,475	14,968	16,894	18,338
12,745	16,022	21,490	26,468	51,836
766,859	267,294	240,718	296,560	258,546
203,817	148,209	174,982	182,426	146,624
6,650	25,674	4,954	2,902	9,615
167,962	234,008	185,835	141,330	114,934
<u>\$ 2,463,963</u>	<u>\$ 1,913,661</u>	<u>\$ 1,667,439</u>	<u>\$ 1,603,587</u>	<u>\$ 1,565,894</u>
\$ 459,888	\$ 461,475	\$ 449,386	\$ 502,417	\$ 395,643
403,864	650,275	382,207	320,566	528,962
1,925	1,925	1,925	1,925	1,925
194,326	175,873	162,105	158,822	175,644
152,545	507,639	98,877	106,308	206,428
144,351	137,150	133,584	127,532	112,409
343,949	853,490	267,153	203,140	238,198
1,515,202	293,326	804,923	365,543	89,305
<u>\$ 3,216,050</u>	<u>\$ 3,081,153</u>	<u>\$ 2,300,160</u>	<u>\$ 1,786,253</u>	<u>\$ 1,748,514</u>

Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

RFSW Ridihalgh Fuelling Snitker Weber & Co.

C E R T I F I E D P U B L I C A C C O U N T A N T S

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 18, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jesup's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant efficiencies..

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under

Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Jesup's Responses to the Findings

The City of Jesup's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Jesup during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

November 18, 2016

City of Jesup

Schedule of Findings

Year ended June 30, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel and officials to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

Response – We will continue to review and monitor ways to improve segregation of duties.

Conclusion – Response acknowledged.

- (B) Preparation of Financial Statements – The City of Jesup, Iowa employs an accounting staff with the ability to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles generally accepted in the United States of America, but the staff does not have the training or reference materials available to draft the footnotes to the financial statements; therefore, it relies on its auditors to prepare such statements.

Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Jesup

Schedule of Findings

Year ended June 30, 2016

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amount budgeted in the any functions.
- (2) Questionable Disbursements – We believe all disbursements met the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Urban Renewal Annual Report – The urban renewal annual report was approved and was certified to the Iowa Department of Management on or before December 1. No other instances of non-compliances with the Urban Renewal Annual Report were noted.
- (9) Payment of General Obligation Bonds – The City properly paid for its General Obligation bonds out of the debt service fund.
- (10) Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.